Extreme Machine 2000

A MANUFACTURING CORPORATION BUILDING THE

ULTIMATE, AMPHIBIOUS, HYBRID, ELECTRIC VEHICLES



Executive Summary

PURPOSE AND SCOPE

The purpose of this executive summary is to generate up to \$5 million from a single investor or group of investors. Extreme Machine Corporation, is dedicated to designing and manufacturing the world's most innovative, ultimate, amphibious, hybrid, electric vehicles that can be used as an all terrain vehicle, snowmobile, amphibious, jet driven, personal watercraft. We will manufacture the vehicles in the USA and strive to continue to do so in the future.

The Team

The Management team is highly motivated, experienced and well qualified. Extreme Machine 2000, Inc., is lead by a committed, competent start up management team of four. Over \$1.8 million has been invested by the primary inventor and builder of the machine, Mr. Minority shares by several other people make up the balance of the company's shares held. The company is currently valued at \$9 million USD due to the trade secrets and other proprietary designs used in the construction. The large investor will receive one seat on the board.

The ATV (All Terrain Vehicle) Market

We had extensive independent research performed to clarify and quantify the market for these vehicles and the results we received back were astounding. The world wide need predicted is many million units expected to be sold and used for various needs. The ATV industry itself is over \$8.5 billion per year and growing at the rate of 6-23% per year depending on the source. The market research indicated that the ATV industry is diligently developing alternate fuel and low emissions products that can seat 2-4 people. EPA laws coming into force by 2007 mandate that ATVs, snowmobiles and other recreational vehicles meet the minimum emissions laws currently

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in effect for automobiles. The 2 person, utility ATV market is becoming very popular and is expected to grow substantially. Polaris cannot make them fast enough to keep up with demand.

The NEV (Neighborhood Electric Vehicle) Market

The NEV market is just now emerging and is predicted to be a multi billion dollar market in the next two years. As an example, Toyota has just upgraded their production plans for their Prius model that is a hybrid/electric design. The response to the hybrid/electric design has been much better than they anticipated. They said that they are going to be coming out with a hybrid/electric alternate for almost all of their current models over the next seven years (USA Today, Money Section, October 16th, 2003 edition).

Our Products

EM2K The Ultimate Amphibious Vehicle

The GALK model is the world's first, amphibious, hybrid/electric, variable height, ATV that can be used as a snowmobile, jet driven personal watercraft or sportsman's vehicle. The vehicle can be used for a multitude of purposes too numerous to mention here. It is street legal in 45 states.

NEV3K The Ultimate Neighborhood Electric Amphibious Vehicle

The I GAZU model is the world's first amphibious, hybrid/electric, commuter vehicle that can be used as a commuter vehicle. Like the GAZU it is also amphibious and comes with a jet drive option along with many other accessories. It is street legal in 45 states.

Major Benefits of the Vehicles

- Vehicle responds to market need for multi-purpose, amphibious, 'ALL' terrain vehicle.
- The CMUL nas the world's first variable ground clearance capability.
- The EMIK provides tremendous utility for consumers, recreational needs, law enforcement, military, industrial companies, oil companies, ranchers, etc.
- Provides for very quiet operation due to its hybrid/electric battery power.
- Gives the operator 100 miles per gallon with the hybrid/electric option.
- Electric Jet Drive gives the operator ability to travel over large bodies of water.
- Affordable purchase price is less than \$11,000 plus options available.
- Options include 120V AC power for remote electrical needs in the field.

The Offer

We seek up to \$5 million from investors with experience and understanding in leading edge technology vehicles for consumer or military applications:

- Equity position in Extreme Machine
- Estimated 20 times the original investment by year 5

The funds are required to finance the CMX and CM2000 production line set up, establish the supply chain and to continue the set up of the marketing, advertising and sales efforts. An investment in Extreme Machine 2000, Inc. offers tremendous balance to an investment portfolio.

The Future

Extreme Machine \mathcal{P} initial product offerings, the \mathcal{P} and the \mathcal{P} will be positioned as a whole niche product that is currently underserved. The company recognizes that this is a huge market and will continue to expand at tremendous rates. We are designing the next generation products for consumers and sportsmen and for military uses in battlefield vehicles. We are very creative and can conceive, develop and implement new product designs before the larger companies can react to the need. The first year sales are expected to exceed 10,000 units.

EXECUTIVE SUMMARY

The Extreme Machine (EMX) is the world's first, hybrid/electric, fully amphibious, all-terrain vehicle. The machines high versatility, variable ground clearance, low cost, efficient operation, and long range capability provide tremendous competitive advantage over ALL other offerings on the market. The ATV industry is an \$8.5 billion market and growing at roughly 23% annually. This machine will be the first vehicle in the world that can be used as an ATV, snowmobile and water jet driven vehicle. Since it is an electric driven vehicle, it provides 120 volt AC power for remote electric needs in the field. It serves two broad markets: recreational/functional/military users and the NEV (Neighborhood Electric Vehicle) commuters.

Competitive product characteristics are extensive and include the capability of traveling over all types of terrain and large bodies of water. Adaptive accessory packages extend the product line to increase functionality in a variety of markets. Competition is limited due to the proprietary design and 'first-to-market' advantage of this vehicle. Four prototypes and a production model have been fully tested, and the final design is ready for production. Process and assembly design is complete, tooling procured, a supply chain has been initialized, factory space has been leased and work has begun. An experienced, effective start-up team is in place. Several extensive marketing and supplier agreements are well underway.

The first-year sales are projected to be over 10,000 units. Start-up funding in the amount of \$3,000,000 is needed to fund the production, marketing and sales efforts.

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The Land Carried Months and Month

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Cash Flow conversion EBITDA Capital Purchases Taxes Working Capital / Line of Credit	Interest Expense Depreciation / Ammort Taxes NET INCOME Margin % of Revenue	Donation of eqpt (reverse COGS) Total Expenses	Publications Advertising Security Services R&D Misc Bad Debt Exp Property Taxes & Fees Donation of Services	Office Supplies Insurance - per vehicle Insurance - general Legal Web	EXPENSES Payroll - G&A Benefits & payroll taxes Recruiting / Relocation Travel & Entertainment HO office rent	GROSS Margin Margin %	COGS Material & Parts (ATV) Material & Parts (NEV) Payroll for production payroll taxes & benies Rent for assembly Utilities accessory parts adj for donated machines Total COGS	REVENUE Distributer/Dealer fees ATV Sales NEV Sales Accessories Total Revenue
\$ (18,613) : 25,063 0	2,772 (6,415) \$ (14,969) #DIV/0!	18,417			13,333 3,333 1,000	(196) #DIV/0!	196	Aug
(18,613) \$ (101,712) \$ 25,063 3,797 0 - 0	2,917 (31,389) \$ (73,240) \$	62,108	1,000	700 1,000 1,700	25,000 6,250 22,000 5,000	(39,604) #DIV/0!	26,664 8,000 2,000 2,240 700 -	\$0 \$0
36,455 \$ 2,757	2,917 10,061 23,477 \$	10,685	1,000	2,632 1,000 4,500	25,000 6,250 9,000 250	99,614 29%	140,339 36,838 26,180 6,545 2,400 1,400 39,970 (10,685) 242,987	Oct \$0 215,000 70,500 57,100 342,600
112,498 2,757	2,917 32,874 76,707	20,226	11,000 1,000 2,000 4,000	4,526 1,000 700	25,000 6,250 14,000	206,651 31%	210,508 122,792 52,500 13,125 4,200 1,400 78,050 (20,226) 462,349	Nov \$0 322,500 235,000 111,500 669,000
\$ 537,517 3,344 5,132	2,989 160,358 \$ 374,170	59,791 213,253	70,000 1,000 2,000 4,000 3,000	1,400 14,737 1,000 700	27,500 6,875 16,000	750,770 35%	701,695 368,376 94,680 23,670 4,200 3,200 249,200 (59,791) 1,385,230	Dec \$0 1,075,000 705,000 356,000 2,136,000
\$ 838,522 3,411 160,358	3,061 250,638 \$ 584,822	83,923 236,810	70,000 1,000 2,000 4,000	2,000 19,737 1,000 900 500	30,000 7,500 10,000	1,075,332 36%	877,118 613,961 143,990 35,998 4,200 3,200 352,625 (83,923) 1,947,168	Jan \$0 1,343,750 1,175,000 503,750 3,022,500
\$1,223,141 2,891 250,638	3,061 3,061 366,024 \$ 854,056	113,785 352,770	5,000 125,000 2,000 2,500 4,000 5,000 13,704	2,500 27,632 1,000 900	30,000 7,500 12,000	1,575,912 37%	1.227,966 859,545 143,990 35,998 4,200 4,000 493,675 (113,785) 2,655,588	Feb \$0 1.881,250 1.645,000 705,250 4.231,500
\$1,841,156 2,891 366,024	3,061 551,428 \$1,286,666	154,517 491,217	200,000 2,000 2,500 4,000 6,000 26,760	3,000 35,789 1,000 900	30,000 7,500 12,000	2,332,373 39%	1,403,389 1,473,505 163,800 40,950 4,500 695,800 (154,517) 3,631,628	Mar \$0 2,150,000 2,820,000 994,000 5,964,000
\$2,417,961 3,772 551,428	3,169 724,438 \$1,690,354	202,170 610,941	200,000 2,000 3,000 4,000 6,000 85,440	2,000 47,632 1,000 1,000	35,000 8,750 12,000	3,028,903	1,929,661 1,841,882 209,000 52,250 5,600 907,375 (202,170) 4,748,598	Apr \$0 2,956,250 3,525,000 1,296,250 7,777,500
\$3,119,386 4,077 724,438	3,253 934,840 \$2,181,293	266,006 832,527	3,000 300,000 2,000 3,000 4,000 120,900	4,000 63,421 1,000 1,200 2,000	35,000 8,750 10,000	3,951,913 39%	2,631,355 2,333,050 274,890 68,723 5,600 6,500 1,189,475 (266,006) 6,243,587	May \$0 4,031,250 4,465,000 1,699,250 10,195,500
\$3,674,534 3,664 934,840	3,325 1,101,363 \$2,569,846	313,882 969,655	300,000 2,000 3,800 4,000 8,500 169,260	75,263 1,000 1,200	42,000 10,500 10,000	4,644,190 39%	3,157,626 2,701,426 324,632 81,158 5,600 7,200 1,401,050 (313,882) 7,364,811	Jun \$0 4,837,500 5,170,000 2,001,500 12,009,000
\$ 3,893,347 3,144 1,101,363	3,325 1,167,007 \$ 2,723,016	343,704 1,252,182	400,000 2,000 3,800 102,911 8,500 238,560	4,000 83,158 1,000 1,800	42,000 10,500 10,000	5,145,530 39%	3,508,474 2,947,011 324,632 81,158 5,600 7,200 1,542,100 (343,704) 8,072,471	Jul \$0 5,375,000 5,640,000 2,203,000 13,218,000
\$ 17,574,193 61,571 4,094,221	36,767 5,261,228 \$ 12,276,198	1,568,689 5,197,192	1,676,000 17,000 24,600 136,111 49,000 654,624	24,500 374,526 11,000 15,500 5,700	359,833 89,958 22,000 121,000	22,771,385 38%	15,814,796 13,298,385 1,766,294 441,574 48,040 44,496 6,949,320 (1,568,689) 36,794,215	Year 1 \$ 24,187,500 25,450,500 9,927,600 59,565,600

Cash Flow conversion EBITDA Capital Purchases Taxes Working Capital / Line of Credit	Interest Expense Depreciation / Ammort Taxes NET INCOME Margin % of Revenue	EBITDA	Total Expenses	Property Taxes & Fees	MISC Bad Debt Exp	R&D	Services	Security	Publications	Video	Web	Legal Legal Legal	Insurance - per vehicle	Office Supplies	HQ office rent	Travel & Entertainment	Becruiting / Pelocation	Payroll - G&A	Margin %	GROSS Margin	Total COGS	adj for donated machines	accessory parts	Utilities	Rent for assembly	payroll taxes & benies	Material & Parts (NEV)	COGS Material & Parts (ATV)	Total Revenue	ACCOMPANIES OF THE PROPERTY OF	ATV Sales	Distributer/Dealer fees	REVENUE
\$ 17,574,193 61,571 4,094,221	36,767 5,261,228 \$ 12,276,198	17,574,193	1,568,689 5,197,192	77	311,100	136,111	24,600	1,676,000	8,650	35,000	5,700	15.500	374,526	24,500	3,500	121,000	89,958	359,833	38%	22,771,385	36,794,215	(1,568,689)	6,949,320	44,496	48.040	441 574	13,298,385	15,814,796	59,565,600	25,450,500	24,187,500	69	1991
\$ 76,706,116 95,218 21,560,902	62,339 22,993,133 \$ 53,650,644 23%	76,706,116	5,908,479	924	7 286 451	48,000	68,000	4,800,000	8,650	35,000	6,000	18,000	1,451,147	69,000	3,000	200,000	131,929	527,718	41%	97,434,413	139,274,427	(5,908,479)	27,013,331	86,400	124,440	582 800	56,407,676	58,637,061	236,708,840	105,/94,161	87,158,206	\$ 5,166,000	1 1001
\$ 167,582,508 255,000 47,478,697	140,814 50,232,508 \$ 117,209,186	167,582,508	13,117,727 46,335,185	1,428	215,996 15 729 776	48,000	154,608	10,913,507	19,667	79,578	13,642	40 926	3,299,396	156,882	3,000	454 729	386,894	1,547,576	41%	213,917,693	310,408,169	(13,117,727)	61,171,351	196,443	329,152	2,000,101	135,378,422	123,137,827	524,325,862	253,905,987	183,032,232	←	1 1891
\$ 245,895,218 142,500 70,322,328	191,522 73,711,109 \$ 171,992,587 23%	245,895,218	18,901,351 66,553,162	3,825	313,195 22 808 175	48,000	224.182	15,824,586	28,517	115,388	19,781	59,561	4,784,124	227,478	3,000	859 358	475,835	1,903,341	41%	312,448,380	447,824,121	(18,901,351)	88,698,458	284.843	491,900	480 342	196,298,712	178,549,849	760,272,500	368,163,681	265,396,736	69	1 881 4
\$ 309,075,279 142,500 88,320,108	234,089 92,652,357 \$ 216,188,833	309,075,279	23,550,087	2,138	28 510 219	48,000	280.227	19,780,732	35,647	144,235	24,726	74 178	5,980,155	284,348	3,000	824 197	564,776	2,259,106	41%	392,015,898	558,324,727	(23,550,087)	110,873,073	356 053	583,918	300,034	245,373,391	223,187,312	950,340,625	460,204,601	331,745,920	€9	D IRRI

Starting up the Extreme Machine ____ factory

The following costs are needed to set up the manufacturing floor and hire personnel to build the units. We will need to hire several people immediately, purchasing, technicians, welder, assembly, etc. but the bulk of them will not be needed until we start to assemble the units in higher volume.

The first step in the start up process is to turn on the supply chain. We will need to start hiring a purchasing agent to get the contracts with the suppliers started. We also need to get the funding in place for our overseas suppliers in the form of letters of credit. We have two primary overseas suppliers and one of them requires three months lead time to get the raw material ordered from his supplier before he starts to build our products for us. Fortunately, he has over 500 units ready for us immediately. By the time those are exhausted, the supplier will be building the others and ready to ship them. Once the sales patterns and volumes are established then we will be able to more accurately predict the needs from the suppliers.

The other domestic location suppliers will be on a 30-45 day net with us. This will help us tremendously by not pulling down our cash flow too soon or too often. We will also be collecting for the full price of the machines before shipping to individuals. The dealer arrangement will be similar but not as stringent. This will help our cash flow considerably by requiring most if not all of the money up front.

We will need to immediately kick off our marketing efforts. This will require us to start building the first 6 units. These will be used as demo units for the road shows that we will be doing throughout the country. We will need to get the capital items procured which consists of buying the frame unit materials for the factory and at least one pick up to haul a trailer that we also need to procure for exposing the machine to the public.

When we receive funding, we will be using the money for the following items. These will be needed to build the first 100 machines. After the initial outlay of funds for these items is done and the machines are starting to sell, then we will likely not require more funds in the immediate future. However, we would like approximately an additional \$750,000 + in reserve should we need it.